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TAB B

Cost Analysis Branch

The Cost Analysis Branch controls and operates the ADP programming and costing of military programs and activities, with support from the Branches of the Strategic and Theater Forces Divisions and the Technical Resources and Military-Economic Branches of the Programs Analysis Division. Where necessary, it supplements research on cost implications of military activities to aid in the improvement of data and methodologies of military cost analysis.

The Cost Analysis Branch supports other Branches and Divisions, as well as other USIB Agencies, by providing expenditure details in computer formats. It is responsible for review and audit of inputs to costing prepared by other components, for proposing improvements in methodologies and computer programs, and for recommending the tasking of other components to improve the accuracy and validity of OSR expenditure analysis.

The Branch will perform analyses of cost trends in support of National Estimates and in response to request from other USIB Agencies.

The methodological approach used in the Cost Analysis Branch is one of force structure costing that depends on the branches of the Strategic and Theater Forces Divisions for the force levels and activities and depends on the Military-Economic Planning Branch for ruble prices, ruble/dollar ratios, and relevant Soviet price indices.

Major Intelligence Problems of the Cost Analysis Branch

- a. To provide military expenditure data in support of National Estimates and in response to requests from other USIB Agencies:
- b. To further develop the capabilities of the Strategic Cost Analysis Model (SCAM) program to make it more susceptible to analytical techniques such as the Military-Economic Planning Model (MILPLAN).
- c. To provide cost analysis and systems analysis support to the Branches of the Strategic and Theater Forces Divisions.
- d. To work toward greater conceptual and qualitative consistency of the Inputs (prices and force structures) through the Price Handbook Data Sheets.

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e. To continue research on personnel and operations and maintenance factors to insure their qualitative consistency with other inputs.

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Military-Economic Planning Branch

The Military-Economic Planning Branch will continue to perform detailed research and analysis on the economic environment within which Soviet defense decisions are made, and on the economic implications of estimated defense programs. In addition, it will conduct research and analysis to provide a broad overview of the major trends and policy implications of estimated Soviet defense programs. The efforts of the Military-Economic Planning Branch in this area will be based heavily on the output of other OSR and Agency components responsible for Soviet forces, strategy and doctrine, defense expenditures and technological resources, as well as on its own and other available work on the Soviet economy.

It will continue efforts to develop the operational utility of the military-economic planning model (MILPLAN) as an aid in strategic research, and will consult and coordinate with OER in this effort. It will study price formation and price trends in the Soviet Union in relation to military goods, and will support OSR efforts to improve military ruble-dollar ratios and to move to a more recent price basis in the SCAM program.

In conjunction with the Cost Analysis Branch, the Military-Economic Planning Branch will develop improved approaches to value estimates of military machinery production and will develop methods for converting these estimates into economic sector of origin data. This will contribute to improvements in the SCAM program, to MILPLAN, and to OER studies of input-output analysis.

The Military-Economic Planning Branch will be responsible for OSR's analysis of the Soviet Defense Budget and for relating this to the military expenditures series developed by the internal costing efforts of the Office.

Major Intelligence Problems of the Military-Economic Planning Branch

a. To develop an accurate and detailed understanding of the economic environment within which Soviet defense decisions are made. To relate this to the broader consideration of all of the factors, institutions, and pressures that impact on the defense decision-making process.

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b. To develop reliable methodologies for transforming estimates of Soviet military expenditures into economic sector-of-origin resource categories.

c. To develop an accurate and detailed understanding of the Soviet military price formation process, and to develop reliable methodologies for synthesizing ruble prices of military items.

d. To develop optimal programming (micro-economic) techniques for examining the implications of alternative force projections in an interacting sector, time-phased model which utilizes programming inputs common to NIPP definitions and force levels and the OSR SCAM costing model.

e. To conduct research and analysis on the managerial and decision-making aspects of the Soviet military-industrial complex, and its significance in the development of Soviet strategic planning.

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Technical Resources Branch

It is proposed that a Technical Resources Branch be established to study the resource and costing implications of Soviet research programs for national defense. This Branch would concentrate its research on the more aggregative measures such as budget analysis, scientific manpower trends, and the resource and cost implications of Soviet military R&D and space programs that are analyzed and estimated in detail by other components.

The Technical Resources Branch would be formed from the present Space Systems Branch. It would be augmented by two slots taken from the Military-Economic Planning Branch on the budgetary and manpower aspects of R&D programs. The level of detailed study of Soviet space programs would be de-emphasized somewhat, except for the effort on resource and cost implication.

In addition to its own research, the Technical Resources Branch would utilize inputs derived from analysis of R&D resources on individual weapons systems -- analysis that is performed primarily by components of the DDS&T. Close coordination with OER and DDS&T components would be the normal operating environment.

Major Intelligence Problems of the Technical Resources Branch

a. To develop a framework of analysis for studying Soviet decisions in the use of technological resources for national defense programs.

b. To improve aggregative measures of the level and trends of resources used in military and space R&D based on budget and scientific manpower data.

c. To initiate research and analysis to disaggregate the measures of total activity into major mission-related sums for strategic attack and strategic defense; for theater forces; and for space.

d. To develop guidelines for additional research in the Technical Resources Branch and in other Agency components (OSR, OSI, FMSAC and OER) that would contribute to improving intelligence estimates of Soviet use of technological resources.

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Strategic Evaluation Branch

The Strategic Evaluation Branch will analyze Soviet and Warsaw Pact military policy and doctrine and their relationship to national strategies, goals, and military programs. The Branch will study and report on the similarities and differences between what the defense policy makers and military strategists are saying privately and publicly, the ways in which military programs are being pursued, and the various alternatives that might play a role in developing future programs and strategies.

The Arsenal Exchange Model will be relocated in the Strategic Evaluation Branch to aid in the study of strategic interaction and the development of estimates of alternative future forces. Other supporting research and reporting of the Branch includes national command and control, crisis management, civil defense, and Soviet attitudes and policies with regard to arms control.

Major Intelligence Problems of the Strategic Evaluation Branch

- a. To identify and report on trends in Soviet military doctrine and strategy.
- b. To determine Soviet military policy on the broadest national level, its impact on resource allocation, the role of the military in formulating policy, and the effects of these on Soviet leadership politics.
- c. To determine the military aspects of Soviet external relationships with the Warsaw Pact, NATO, and Communist China; also, policy with respect to disarmament.
- d. To examine Soviet military control with reference to capabilities to manage forces in crises, the formal structure of command, and functions and relationships in the High Command.
- e. To determine policy, trends, preparations, and readiness of Communist Bloc civil defense systems.
- f. To examine the ways in which US and Soviet Forces -- present and projected -- interact under alternative strategies and conflict situations; how the Soviets may view such interaction; and the influence of US force structure planning on Soviet military decisions.

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